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SUBJECT: Embassy Tirana Weekly Report

Giant Paper Projects

1. As Albania enters the rainy season, common citizens are waiting for the rain to provide some security in the supply of electricity over the winter season. The government is looking forward to a rain of money, which is expected to hit Albania due to large projects currently in the planning stage. In spite of the global financial crisis, which could impede investors from taking action in the near future, Albania seems to have been blessed with a number of large, potential projects.

2. Most of the projects are centered in the energy sector. A USD 2.9 billion energy park planned by ASG Power includes a 1.6 GW thermo power plant, degasification facilities and transmission lines. Three hydropower plants in the Devolli cascade, a project worth USD 1.5 billion, is being planned by the Austrian company EVN, while a container terminal project worth USD 1.8 billion is envisioned for the bay of Vlora. Other projects include wind parks all over the country, other large thermo and hydro power plants to be built by various Italian, Greek, Austrian and other consortiums. While some of these might actually take place - the Austrian utility Verbund has signed a 35-year concession for the Ashta HPP, totaling USD 220 million - many others are like visions in the desert. On the other hand, there is another giant project, the Durres-Kukes road, which appears to be on track to be completed by next summer. Construction has begun as well on two new cement factories - a project worth some USD 700 million.

3. Despite the recent increase of foreign direct investment over 2007 and another increase this year mainly due to large scale privatizations, Albania still lags behind its regional neighbors regarding the stock of foreign direct investments.

Let the Parties Begin

4. After months of bipartisan negotiations and deadlock, the Albanian Parliament is expected to pass the new electoral code sometime in November. The new electoral code follows on the amendments made to the Constitution earlier this year, and is expected to bring major changes to the Albanian political scene, as well as set the stage for next year's Parliamentary elections (scheduled for June, 2009). Following the Constitutional amendment, the Electoral Code will complete the transformation of Albania's electoral system from the current majority system to a regional proportional system. According to this system, Albania's electoral map will be divided into 12 regions, with each region sending to Parliament a number of MPs in proportion with their population. The electoral code is also expected to establish an electoral threshold that will limit the number of small parties that will be represented in Parliament. In spite of the difficult process leading to the consensus, it will be the first time that Albania has completed work on its electoral code eight months before the elections. Such an achievement could have a potentially very positive impact in the quality of the upcoming elections (as opposed to the February, 2007

national elections, in which the electoral code was passed at the very last minute, and only after considerable pressure by the OSCE, U.S. and EU.)

¶5. According to the proportional electoral system proposal, it will be the Albanian political parties that will submit nominal lists in each region for elections to Parliament. Citizens will now vote for one of the parties on the ballot, rather than a particular candidate, as had been the case in previous parliamentary elections.

The two main political parties say that this will increase the quality of MPs and keep certain rouge elements out of Parliament. However, there are fears that this will also increase the control of Party chairman and stifle dissent within the political structures because the party chairman will have the final say on which candidates are included - or excluded - in the party lists.

¶6. Quote of the Week:

"The battle rages on." Prime Minister Berisha refereeing to his Government commitment to weed out corruption as he was speaking to the World Economic Forum in Turkey.

WITHERS